



RURAL TELEPHONE FINANCE COOPERATIVE
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

July 8, 1997

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N. W.
Room 222
Washington, DC 20554

Re: WT Docket No. 97-82

Dear Mr. Caton:

Enclosed is the original and nine copies of the reply comments of the Rural Telephone Finance Cooperative in the above referenced proceeding.

Sincerely,

Henry I. Buchanan, III
Vice President of Industry Affairs

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter Of)	
)	
Amendment of Part 1 of the Commission's)	WT Docket No. 97-82
Rules -- Competitive Bidding Proceeding)	
Radio Services Licensees)	

**REPLY COMMENTS OF
RURAL TELEPHONE FINANCE COOPERATIVE**

The Rural Telephone Finance Cooperative (RTFC) hereby submits its reply to the comments filed June 23, 1997 in the above referenced proceeding concerning proposals to modify the Commission's C- and F- block broadband personal communications service (PCS) financing terms.

RTFC recognizes that the Commission is faced with the very difficult decision whether or not to modify the terms for payments for C- and F- block broadband PCS licenses.

Several commenters made persuasive arguments as to why there should be no liberalization of repayment terms and the Commission must carefully balance these competing interests. It is up to the Commission to determine whether financially troubled licensees find themselves in that position due to reckless bidding or unforeseen changes in the financial climate after the auction. RTFC notes, however, that we did urge caution to

those RTFC members participating in the C block auction when prices rose beyond those contemplated in their business plans.

Many commenters presented options for providing relief to C- and F- block licensees.

RTFC is gratified that of those supporting relief, nearly all agreed with RTFC that a case-by-case approach is not appropriate. Any remedies must be available to all. Proposals include deferral of interest (and in some proposals principal) payments, debt forgiveness, discounted prepayment and “amnesty” (returning licenses and receiving a refund of monies paid.) Given this wide range of remedies, if the Commission decides that relief is appropriate, a “Chinese menu” approach would provide the broadest relief. Each licensee’s business plan is unique. A choice of remedies from which an individual licensee may choose would provide the broadest, most effective relief to all C- and F- block licensees. The alternatives proposed by the Small Business Coalition - 1) a five year moratorium on principal and interest payments; or 2) maintenance of the existing payment schedule with a reduction in principal to yield the same net present value - provide an excellent starting point. The amnesty concept and a discounted prepayment of the FCC debt could be added.

Amnesty as proposed by R&S PCS and others would allow financially troubled licensees to cut their losses, and allow previously unsuccessful bidders another opportunity to acquire licenses. Discounted prepayment as advocated by General Wireless, Bear Stearns, BIA Capital Corp. and Horizon (among others) would allow creditworthy C- and F- block licensees to reduce their per POP license cost to a level more in line with the A-

and B- block licenses. From a senior infrastructure lender's perspective, the absence of a government lien on the license is a significant benefit.

RTFC strongly supports Horizon's proposal to allow parties partitioning or disaggregating one-third or less of the POPs or spectrum in a BTA to participate in the installment plan based on a negotiated price, not a pro-rata share of the existing debt. As RTFC noted in our comments, the present policy requiring rural partitionees and disaggerees to assume a pro-rata share of the FCC debt discourages rural partitioning/disaggregation. Many rural telcos that did not participate in or dropped out of the C- and F- block auctions desire to provide PCS in their rural wireline service areas. The present requirement that they assume a pro-rata share of the license debt is unreasonable. The characteristics of the rural market will not support that level of license debt. If the Commission shares Congress' desire to see advanced wireless service in rural areas, it will remedy this flawed policy.

Finally, the Commission should provide a refund or credit to those C block licensees that were not aware that a suspension of the quarterly installment was approved on March 31, 1997, and made their scheduled payment. No opposition was made to this position and it is the fair and equitable thing to do.

RTFC believes that it is critical to rural America that any remedies provided to financially troubled C block licensees be provided to all C- and F- block licensees. Rural telco affiliated PCS licensees will provide rural residents with the same advanced

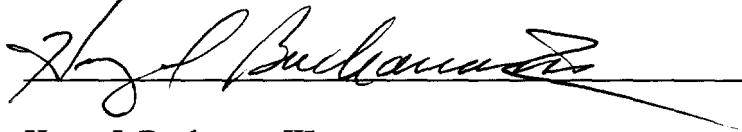
wireless telecommunications offerings which are now being rolled out in urban areas.

Relief from license debt payments will make these projects more likely to succeed.

RTFC believes the Commission should adopt its recommended changes to the Commission's PCS policies to assure that PCS is available to all Americans.

Respectfully submitted,

RURAL TELEPHONE FINANCE COOPERATIVE

A handwritten signature in dark ink, appearing to read "H. I. Buchanan, III", is written over a horizontal line.

Henry I. Buchanan, III
Vice President of Industry Affairs

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